



West Lothian Integration Joint Board Audit Risk and Governance Committee

West Lothian Civic Centre
Howden South Road
LIVINGSTON
EH54 6FF

24 March 2017

A meeting of West Lothian Integration Joint Board Audit Risk and Governance Committee will be held within **Conference Room 3, West Lothian Civic Centre, Howden Road South, Livingston, EH54 6FF** on **Friday 31 March 2017 at 10:00 a.m.**

BUSINESS

Public Session

1. Apologies for Absence
2. Declarations of Interest - Members should declare any financial and non-financial interests they have in the items of business for consideration at the meeting, identifying the relevant agenda item and the nature of their interest.
3. Order of Business, including notice of urgent business and declarations of interest in any urgent business
4. Confirm Draft Minute of Meeting of West Lothian Integration Joint Board Audit Risk and Governance Committee held on Friday 6 January 2017 (herewith)

Public Items for Decision

5. Internal Audit Plan 2017/18 - Report by Internal Auditor (herewith)

Public Items for Information

6. External Audit Plan 2016/17 - Report by Chief Finance Officer (herewith)
7. Internal Audit of Strategic Planning - Report by Internal Auditor (herewith)

DATA LABEL: Public

8. Risk Management - Report by Director (herewith)
 9. Workplan (herewith)
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NOTE **For further information please contact Elaine Dow on 01506 281594 or email elaine.dow@westlothian.gov.uk**

MINUTE of MEETING of WEST LOTHIAN INTEGRATION JOINT BOARD AUDIT RISK AND GOVERNANCE COMMITTEE held within CONFERENCE ROOM 3, WEST LOTHIAN CIVIC CENTRE, HOWDEN SOUTH ROAD, LIVINGSTON, on 6TH JANUARY 2017.

Present

Voting Members – Martin Hill (Chair), Anne McMillan and Lynsay Williams (by conference call)

Non-Voting Members – Martin Murray and Jane Houston

Apologies - John McGinty

In attendance – James Millar (Standards Officer, West Lothian Council Governance Manager), Kenneth Ribbons (West Lothian IJB Internal Auditor), Patrick Welsh (Chief Finance Officer, West Lothian IJB), Jane Kellock (Head of Social Policy/Chief Social Work Officer, West Lothian Council)

Apologies – Jim Forrest, Director

Opening Remark

The Chair advised that Danny Logue had been appointed as Chair of the Integration Joint Board (IJB) and therefore had to stand down from being a member of the IJB Audit Risk and Governance Committee. John McGinty was appointed as a voting member of the IJB Audit Risk and Governance Committee replacing Danny Logue.

1. DECLARATIONS OF INTEREST

No declarations of interest were made.

2. MINUTE

The Committee agreed the minute of the meeting held on 23 September 2016 as being a correct record. The Chair thereafter signed the minute.

Matters arising:

Page 10: item 7: Internal Audit Plan 2016/17

The Internal Auditor advised that following discussions with the Internal Audit Team at NHS Lothian, confirmation was received that a report on the Internal Audit on Performance Management within NHS Lothian would be available to submit to the June meeting of the IJB Audit Risk and Governance Committee for consideration. A report on the Internal Audit of IJB Performance Management would also be available at the same time.

Decision

Agreed that the following reports would be submitted to the meeting of the IJB Audit Risk and Governance Committee in June 2017:

- Internal Audit on Performance Management within NHS Lothian; and
- Internal Audit of IJB Performance Management

3. RISK MANAGEMENT

The Committee considered a report (copies of which had been circulated) by the Director providing details of the progress made in relation to management of the IJB's risks.

The report recalled that the Integration Scheme required the IJB to maintain a risk register and that the IJB Director would produce and agree a list of the risks to be reported and monitored. A risk register was set up using West Lothian Council's Covalent system. The risks to be reported and monitored were attached at appendix 1 to the report. The methodology used to identify the risks was attached at appendix 2 to the report and appendices 3 and 4 set out, for comparison purposes, relevant risks from the NHS Lothian and West Lothian Council risk registers. The extract from the NHS Lothian risk register related to relevant corporate risks and the West Lothian Council risks related to the council's Social Policy service.

The Integration Scheme also requires the IJB to operate a Risk Management Policy and Strategy, which was under development and expected to be submitted to the IJB for approval in March 2017.

The Internal Auditor then responded to questions from the Committee. During the course of the discussion Jane Houston commented that the symbols used to highlight the risks were difficult to identify in hard copies that were not in colour.

The Chair recommended that future reports submitted to the IJB Audit, Risk and Governance Committee should contain more detailed information and different formatting to highlight the mitigating circumstances of risk, the timeframes involved and the actions carried out to reduce the risks and to highlight what the target risk score would be when actions were completed.

The Internal Auditor advised that the information provided was a summary of the information logged within the Council's Covalent system. Risks would continue to be identified by the IJB Senior Management Team. He advised that he would forward the comments made by the Committee to the IJB Director and confirmed that he would be happy to liaise with the IJB Senior Management Team regarding the actions taken to reduce the risk scores.

The Chair suggested that more detailed reports be submitted to the IJB

Audit, Risk and Governance Committee for consideration and a summarised version submitted to the IJB.

It was recommended that the Committee note the progress on risk management as set out in the report and consider the risks identified and the control measures in place to mitigate their impact.

Decision

1. Noted the contents of the report;
2. Noted the recommendation that more detailed information be presented to the IJB Audit, Risk and Governance Committee to highlight the mitigating circumstances of risk, timeframes involved, actions carried out and what the target risk score would be when actions were completed.

4. **INTERNAL AUDIT OF WEST LOTHIAN INTEGRATION JOINT BOARD GOVERNANCE ARRANGEMENTS**

The Committee considered a report (copies of which had been circulated) by the Internal Auditor providing details of the internal audit undertaken of the IJB's governance arrangements.

The report advised that in accordance with the internal audit plan for 2016/17 an audit of the IJB's governance processes was carried out, details of which were attached within an appendix to the report. The agreed management actions were also included as an action plan within the appendix.

The internal audit work involved reviewing the IJB's current governance processes. A review process was in place to ensure that all the requirements of the Integration Scheme were in place or were in progress and regular update meetings were being held with the IJB Director to review progress. A number of areas for improvement were identified which were set out in the action plan. The action plan detailed the findings of the internal audit carried out and graded their importance and agreed actions. The findings concluded that the level of control required improvement. A number of areas of work in progress also required to be timeously brought to a conclusion.

The Internal Auditor advised that The Integration Scheme between West Lothian Council and NHS Lothian required the Board to approve a Strategic Plan which would be developed through its Strategic Planning Group detailing a rolling three year action plan, which would be reviewed and updated on an annual basis. It was proposed that a report to include the action plan would be presented to the meeting of the IJB scheduled to be held on 14 March 2017.

During the course of the discussion the Chair recommended that due to the importance of the findings of the internal audit of the IJB's governance arrangements it would be appropriate to provide an update on the progress of the Strategic Plan – three year rolling action plan to the next

meeting of the IJB scheduled to be held on 31 January 2017.

In response to a question relating to the membership of the IJB the Standards Officer undertook to submit a report to the IJB relating to the Board's governance arrangements which would include the remit and rules of membership and procedure for appointing members to the IJB committees and working groups.

In relation to page 10, point 3.8 of the action plan it was noted that the Integration Scheme required the Chief Social Worker and the Clinical Director to provide an annual report to the Board in relation to aspects of their position relating to the delivery of delegated functions. The Internal Auditor undertook to check with the Director to ensure that the Clinical Director was aware that a report was to be presented to the IJB by 30 June 2017 covering clinical governance for 2016/17.

It was recommended that the Committee note the contents of the report and the conclusion that control requires improvement.

Decision

1. Noted the contents of the report;
2. Noted the recommendation from the Chair that an update on the Strategic Plan – three year rolling action plan be provided to the next meeting of the IJB;
3. Noted that a report on the IJB's Governance Arrangements would be submitted to the Board to include remit and rules of membership and procedure for appointing members to the IJB committees and working groups; and
4. Noted that the Internal Auditor undertook to liaise with the Director/Clinical Director to ensure that a report covering clinical governance for 2016/17 be submitted to the IJB by 30 June 2017.

5. SOURCING LEGAL ADVICE

The Committee considered a report (copies of which had been circulated) by the Standards Officer providing an update on the options available for the Board to have access to independent legal advice.

The report explained that the provision to the Board of legal advice was a service required for the purpose of carrying out the functions conferred by the Public Bodies (Joint Working) (Scotland) Act 2014. The report provided details of the options available to the Board to have access to legal advice and the advantages and difficulties attached.

At a previous meeting the Committee requested advice about the options available for obtaining legal advice in the event that there was a conflict of interest which meant that the council's solicitors were unable to act. The council's Chief Solicitor provided a summary of the options available,

details of which were outlined within the report.

A further complicating factor was noted if the Board incurred any legal fees as it held no funds of its own as budget contributions from council and health board were intended for service delivery. There was no provision made in the budget contributions to the Board for potential legal costs.

The Committee then discussed the options highlighted within the report. The following recommendation was made:

"In the event of dispute, the dispute resolution process already in place within the Scheme of Integration should be applied. In the event that legal advice was required then advice should be sought from WLC legal advisers. In the more rare event that there was a conflict of interest then specific independent legal advice should be sought."

It was recommended that the Committee notes the options available and the advantages and difficulties attached and considered whether any recommendations should be made to the Board.

Decision

1. Noted the contents of the report; and
2. Recommended that in the event of dispute the following procedure should be followed:

The dispute resolution process already in place within the Scheme of Integration should be applied. In the event that legal advice was required then advice should be sought from WLC legal advisers. In the more rare event that there was a conflict of interest then specific independent legal advice should be sought.

6. ETHICAL STANDARDS IN PUBLIC LIFE

The Committee considered a report (copies of which had been circulated) by the Standards Officer providing details of the statutory duties incumbent on the Board and its members and officers in relation to ethical standards in public life.

The report provided background details relating to the Ethical Standards In Public Life etc. (Scotland) Act 2000 (the Act) which established a statutory regime for promoting and enforcing ethical standards in public life in Scotland. The Act and associated regulations applied to councils and councillors and to devolved public bodies and their members. They also imposed duties on designated officers of both types of body. The Board is a devolved public body (public body) for the purposes of the Act.

The statutory duties which applied to the IJB as a corporate body were outlined within the report. It was noted that the Board and its members and officers had already made significant progress towards meeting their statutory duties, however, some statutory duties still required to be met.

These duties could be met by taking steps such as:

- Making the code and the register publicly available with information to explain what they were for;
- Providing training to members about their duties;
- Reminding members periodically about what they should do to ensure they comply with the code in relation to the register;
- Reminding members about their duties about declaring interests;
- Informing and briefing members about developments as they happened, such as the production of new guidance or significant hearing decisions;
- Informing and briefing members periodically about the activities of the Commissioner and the Commission and the way the regime has been operating; and
- Making sure that members know where to go for advice.

The report went on to outline the steps which were proposed to ensure compliance with the statutory duties. The Standards Officer also advised that membership of the Board expired every three years and recommended that this be reviewed.

The adoption of sound and effective arrangements in relation to the ethical standards regime would form part of the Board's corporate governance arrangements. They would inform the annual governance statement to be approved and signed each year as part of the Board's annual accounts and financial statements.

The Committee considered the proposals outlined in paragraph 5.1 of the report.

It was recommended that the Committee:

1. Notes the statutory duties incumbent on the Board and its members and officers in relation to ethical standards in public life;
2. Agrees to recommend to the Board that a process and schedule be put in place to ensure compliance with those duties; and
3. Consider the proposals in paragraph 5.1 of the report for that purpose.

Decision

Agreed the terms of the report.

7. INTERNAL AUDIT INFORMATION SHARING ARRANGEMENTS

The Committee considered a report (copies of which had been circulated)

by the Internal Auditor providing details of the proposed arrangements for sharing internal audit reports between NHS Lothian and the four Lothian IJB's.

The report recalled that the Internal Auditors for the four Lothian IJB's and NHS Lothian meet on a regular basis to discuss common issues and collaboration in relation to the provision of internal audit services for the Lothian IJB's. At the last meeting in October it was agreed that permission would be sought for the formal referral of internal audit reports between the parties. This involved the referral of internal audit reports from NHS Lothian to the four Lothian IJB's and also referral of internal audit reports between the four Lothian IJB's themselves.

It was noted that it was the intention that all internal audit reports for the West Lothian IJB would be in the public domain via the IJB Audit, Risk and Governance Committee papers on the internet. In the event that it was considered necessary to redact a report for the Committee, then the redacted version would be provided. In the event that it was necessary to take a report in private, the advice of the Standards Officer would be sought before releasing the report.

Permission was sought from the Committee to refer all internal audit reports produced for the West Lothian IJB to the internal auditors for the Edinburgh, Midlothian and East Lothian IJB's, subject to the constraints outlined.

The Internal Auditor then responded to questions from members of the Committee. The Committee then recommended that the Internal Auditor establishes a protocol to be used to decide what audit reports received from other Lothian IJB's should be shared with West Lothian IJB.

It was recommended that the Committee approves the proposed arrangements for sharing West Lothian IJB internal audit reports with the internal auditors of the other Lothian IJB's.

Decision

1. Approved the terms of the report; and
2. Agreed that the Internal Auditor would establish a protocol to be used to decide what audit reports received from other Lothian IJB's should be shared with West Lothian IJB.

8. INTERNAL AUDIT CHARTER

The Committee considered a report (copies of which had been circulated) by the Internal Auditor providing details of the IJB Internal Audit Charter, which was attached as an appendix to the report.

The report explained that the Public Sector Internal Audit Standards (PSIAS) was a mandatory set of standards applying to internal audit service providers in the public sector. The PSIAS requires that the purpose, authority and responsibility of internal audit were formally

defined in an internal audit charter.

The IJB Internal Audit Charter covered matters such as internal audit's purpose, scope, responsibilities, objectives, organisational status, independence and authority. The Charter also covered arrangements for managing conflicts of interest. It also clearly set out the arrangements for securing internal audit's independence and set out the right of internal audit staff to receive documents, information and explanations from officers and members of the IJB.

The Internal Audit Charter therefore acted as a framework for the provision of an effective internal audit service.

The Internal Auditor then responded to questions from members of the Committee advising that an annual risk based internal audit plan would be submitted to the Committee and reports on performance in completing the plan.

It was recommended that the Committee approve the Internal Audit Charter.

Decision

Approved the terms of the report.

9. AUDIT SCOTLAND REPORT - SOCIAL WORK IN SCOTLAND

The Committee considered a report (copies of which had been circulated) by the Head of Social Policy providing details of the Audit Scotland report on the national audit of social work published in September 2016, which was attached as an appendix to the report.

The audit was carried out to examine how effectively councils were planning to address financial and demographic pressures facing social work in Scotland. A number of key challenges were identified details of which were outlined in the report.

Thirteen recommendations for councils and IJBs were summarised in the report which covered social work strategy and service planning, governance and scrutiny arrangements, workforce and service efficiency and effectiveness.

The Head of Social Policy advised that whilst West Lothian was significantly affected by financial and demographic challenges, the council benefitted from its long-term financial management strategy. West Lothian IJB adopted a robust strategic commissioning approach which incorporated a number of key service redesign programmes aimed at transforming the way the council delivers services across whole systems. The IJB was also developing new approaches aimed at increasing community capacity.

The Committee was also advised that the role of the CSWO was well defined and supported in West Lothian and was linked effectively into

council and partnership governance arrangements.

The report highlighted the need for transformative measures to be developed and implemented to address the challenges and complexities ahead for social work and social care in Scotland. The Audit Scotland report was well received by the CSWO network, Social Work Scotland and the Office of the Chief Social Work Advisor, however it has been acknowledged that the recommendations would be extremely challenging to achieve both locally and nationally.

The Head of Social Policy then responded to questions from members of the Committee. During the course of the discussion the Chair highlighted that seven of the thirteen key recommendations were allocated to the IJB. He recommended that a schedule be put in place to map the work being carried out relating to the IJB.

It was recommended that the Committee notes the key messages contained in the report with respect to the challenges ahead and note the recommendations made by Audit Scotland.

Decision

1. Noted the contents of the report and the recommendations made by Audit Scotland; and
2. Noted the recommendation that a schedule be put in place to map the work being carried out relating to the seven key recommendations allocated to the IJB.

10. TIMETABLE OF MEETINGS 2017/18

The Committee considered the timetable of meeting for 2017/2018 (copies of which had been circulated).

The Committee agreed the timetable of meetings for 2017/2018. It was also agreed that the meeting scheduled to be held in March 2017 be held at West Lothian Civic Centre and future meetings be held at Strathbrock Partnership Centre.

Decision

Agreed the timetable of meetings and the venue for future meetings.

11. WORKPLAN

The Committee noted the contents of the workplan (copies of which had been circulated).

The workplan was agreed, subject to including the following items:

- Audit of IJB Self-Assessment – report to be submitted to the meeting on 27 September 2017; and

- Report on Children's Inspection – date of submission to be confirmed.

The Committee noted that reports would be included in the workplan subject to the review of the annual accounts by the auditors.

Decision

Agreed the workplan subject to including the items outlined above.

West Lothian Integration Joint Board Audit Risk and Governance Committee

Date: 31 March 2017

Agenda Item: 5

INTERNAL AUDIT PLAN 2017/18

REPORT BY INTERNAL AUDITOR

A PURPOSE OF REPORT

To inform the Committee of the 2017/18 internal audit plan.

B RECOMMENDATION

It is recommended that the Committee approves the 2017/18 internal audit plan.

C TERMS OF REPORT

The internal audit plan for 2017/18 sets out the planned internal audit work for the year to 31 March 2018 and is attached as an appendix.

The Public Sector Internal Audit Standards (PSIAS) require that a risk based audit plan be prepared. The internal audit plan therefore takes account of the Integration Joint Board's risks, which are being reported separately to this meeting.

The purpose of the internal audit plan is to audit the Integration Joint Board's processes and ensure that effective controls are in place to mitigate the risks identified. It should be noted that separate internal audit arrangements are in place in relation to the operational arrangements within the council and health sides.

In relation to risk management, as I co-ordinate the Integration Joint Board's risk management arrangements, it is not possible for me to independently audit my own work. It is therefore proposed that Falkirk Internal Audit Service be invited to conduct an audit of the IJB's risk management arrangements. There will be no charge for this service, on the basis that the West Lothian Council internal audit team will undertake a reciprocal audit on a Falkirk Council system.

The NHS Lothian Chief Internal Auditor has intimated that 30 days will be set aside within the NHS Lothian internal audit plan for each IJB, to enable each IJB to commission work on NHS systems. Further discussions are required with my fellow IJB internal auditors to determine whether there would be merit in commissioning an audit topic jointly. A meeting with the NHS Lothian and IJB internal auditors is scheduled for 10 May, and the outcome will be reported to the Audit, Risk and Governance Committee.

D CONSULTATION

IJB Director, Chief Finance Officer, Standards Officer, and internal audit staff.

E REFERENCES/BACKGROUND

Report to Audit, Risk and Governance Committee 31 March 2017: Risk Management

F APPENDICES

West Lothian Integration Joint Board Internal Audit Plan 2017/18.

G SUMMARY OF IMPLICATIONS

Equality/Health	The report has been assessed as having little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, equality impact assessment has not been conducted. The relevance assessment can be viewed via the background references to this report.
National health and Well-Being Outcomes	Indirectly via the audit of key processes to determine their effectiveness.
Strategic Plan outcomes	Indirectly via the audit of key processes to determine their effectiveness.
Single Outcome Agreement	Indirectly via the audit of key processes to determine their effectiveness.
Impact on other Lothian IJBs	None.
Resource/Finance	None.
Policy/Legal	None.
Risk	The internal audit plan aims to address key risks to the IJB's objectives.

H CONTACT

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31 March 2017

**WEST LOTHIAN INTEGRATION JOINT BOARD
INTERNAL AUDIT PLAN**

2017/18

INTRODUCTION

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 require that the Integration Joint Board (IJB) operates a professional and objective internal audit service in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The internal audit service is delivered and developed in accordance with its purpose which, as set out in the Internal Audit Charter, is to provide assurance by independently reviewing the IJB's risk management, control and governance processes.
- 1.3 The PSIAS require that a risk based audit plan be prepared for a period of no longer than one year. This annual audit plan fulfils this requirement, and plays an important role in ensuring that the effectiveness of control over key risks is systematically reviewed.
- 1.4 The risk based internal audit plan is prepared with reference to the IJB's risk register and in consultation with IJB senior officers. As the IJB matures, this methodology will develop to include other factors, for example, consideration of external audit reports and the outcome of our own internal audit follow up work.
- 1.5 The PSIAS require that I explain how internal audit's resource requirements have been assessed, and also require me to provide an annual opinion on the council's framework of governance, risk management and control. I consider that the resource allocation as set out in the annual audit plan is sufficient to enable me to provide an annual opinion.
- 1.6 The PSIAS also require that I include in my plan my approach to using other sources of assurance. In addition to my internal audit work, in providing my annual evidence based opinion for 2017/18 I will have regard to the work of the IJB's external auditor, which will be placed before the Audit Risk and Governance Committee as a matter of course.
- 1.7 Progress in completing the annual audit plan is reported to the Audit, Risk and Governance Committee.

Kenneth Ribbons
Internal Auditor

West Lothian Integration Joint Board

Annual Internal Audit Plan 2017/18

Audit Topic	Risk Register Reference	Risk	Audit Description	Estimated Days	Timescale
Performance Management	IJB003	Inadequate performance management leads to key performance measures not met.	A high level review of the IJB's performance management processes. This has been carried forward from 2016/17 and will report in tandem with the audit commissioned from NHS Lothian internal audit on performance management within NHS Lothian.	5	June 2017
Workforce Management	IJB008	Performance inhibited by inability to recruit and retain key professional staff.	A review of the processes in place within the IJB to monitor workforce management arrangements within NHS Lothian and West Lothian Council.	5	December 2017
Funding	IJB005	Funding is inadequate to meet strategic objectives, or is inadequately prioritised.	A review of the processes in place within the IJB for ensuring that robust financial planning is in place and funding is prioritised to meet strategic objectives within available resources.	13	December 2017
Risk Management	All	Risks are not effectively identified, assessed or mitigated.	A review of the IJB's risk management processes. To be undertaken by Falkirk Council internal audit service.	5	March 2018

Audit Topic	Risk Register Reference	Risk	Audit Description	Estimated Days	Timescale
Follow up	All	Agreed actions to reduce risk are not implemented.	Follow up of previous internal audit recommendations.	2	March 2018

West Lothian Integration Joint Board Audit Risk and Governance Committee

Date: 31 March 2017

Agenda Item: 6

EXTERNAL AUDIT PLAN 2016/17

REPORT BY CHIEF FINANCE OFFICER

A PURPOSE OF REPORT

The purpose of this report is to inform the IJB of the external auditor's 2016/17 annual audit plan.

B RECOMMENDATION

It is recommended that the Audit Risk and Governance Committee notes the external auditor's 2016/17 annual audit plan.

C TERMS OF REPORT

C.1 Background

In May 2016, the Accounts Commission appointed Ernst and Young (EY) as the IJB's external auditor for the five year period to 2020/21. EY's annual plan, which is appended, sets out the work they propose to undertake in relation to the 2016/17 audit.

C.2 Annual Audit Plan

As set out in the EY audit plan, auditors in the public sector give an independent opinion on the 'truth and fairness' of the financial statements. Section three of the plan sets out EY's approach to the audit of the financial statements and significant risks identified.

The auditors also report on the four dimensions of public sector audit which comprise the wider scope audit work. Section four of the plan sets out the wider scope work relating to financial sustainability, financial management, governance and transparency and value for money. The wider scope audit work, and the judgements and conclusions reached in these areas will contribute to the overall assessment and assurance on Best Value.

Section 6 of the plan sets out EY's audit team, timeline and deliverables. The auditors will aim to certify the annual accounts by the 30 September 2017. In terms of the audit fee, it is noted that due to the nature of the IJB, with this being the first full year of operation, no expected fee has been set centrally yet. The fee will be agreed with Chief Officers on completion of the audit planning and understanding of the year-end audit requirements.

Appendices to the plan set out audit independence and objectivity requirements and communications that will be provided to the IJB.

D CONSULTATION

Relevant officers in NHS Lothian and West Lothian Council.

E REFERENCES/BACKGROUND

Local Government (Scotland) Act 1973

Public Bodies (Joint Working) (Scotland) Act 2014

F APPENDICES

Ernst and Young Annual Audit Plan 2016/17

G SUMMARY OF IMPLICATIONS

Equality/Health	The report has been assessed as having little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, equality impact assessment has not been conducted. The relevance assessment can be viewed via the background references to this report.
National Health and Wellbeing Outcomes	None.
Strategic Plan Outcomes	None.
Single Outcome Agreement	None.
Impact on other Lothian IJBs	None.
Resource/Finance	The audit fee for 2016/17 is still to be agreed subject to the completion of audit planning.
Policy/Legal	Under the Local Government (Scotland) Act 1973, the Account Commission is responsible for appointing the external auditors of local government bodies including councils, joint boards and bodies falling within section 106 of the Act. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards should be treated as if they were bodies falling within section 106 of the 1973 Act.
Risk	None

H CONTACT

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31 March 2017

West Lothian Integration Joint Board

Year ending 31 March 2017

Annual Audit Plan

Audit Committee – 31 March 2017



Executive summary



Public sector audit framework	Pages 3-5
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The Code of Audit Practice (the Code) <http://www.audit-scotland.gov.uk/report/code-of-audit-practice-2016> sets out the responsibilities of audited bodies, in accordance with statute and other relevant guidance, in respect of the preparation of financial statements.

We issue our audit opinion on the 'truth and fairness' of the West Lothian Integration Joint Board's (the IJB) financial statements in accordance with management's timetable, and by 30 September 2017.

The nature of public sector audit means that the focus of audit work is broader than just the financial statements of the IJB. We report on the four dimensions of public sector audit as set-out jointly by the Accounts Commission and the Auditor General for Scotland. Judgements in respect of Best Value are formed from the findings in respect of each of the four dimensions.

Understanding the Integration Joint Board	Pages 6-7
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Our audit approach responds to our understanding of the IJB, and the environment in which it operates. 2016/17 has seen establishment of the IJB's Strategic Plan. Delivery of strategic priorities is undertaken as a statutory member of the West Lothian Community Planning Partnership.

Resources have been tight in 2016/17. As at 31 December 2017, the IJB forecast a total overspend against budget of £3 million. The IJB will utilise the use of additional one off funding from NHS Lothian in the current year to support a breakeven position. The 2017/18 budget and beyond is expected to be extremely challenging, requiring major changes in how services are configured and delivered.

Financial statements audit	Pages 8-11
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Materiality

Planning Materiality for the audit has been determined at £3.1 million, representing 1.5% of estimated gross expenditure. Tolerable Error is set at £1.55 million. Our SAD nominal amount is £155,000.

Risk assessment

In line with auditing standards we identify significant risks in respect of fraud in expenditure recognition, and in respect of the risk of management override of controls.

At this stage of our audit planning, we have not identified any other significant financial statement risks. We will confirm our updated risk assessment as part of our Annual Audit Report.

Audit approach

We obtain an understanding of the IJB's control environment and key accounting processes in operation.

Management has primary responsibility for the prevention and detection of fraud. We design appropriate audit procedures in response to identified fraud risk factors, for the purpose of detecting material misstatements.

There are no significant changes to the Accounting Code of Practice for 2016/17 although a new expenditure and funding analysis is required.

Wider scope audit and other work	Pages 12-14
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The wider scope audit as set out in the Code plays a key role in the public sector audit framework in Scotland.

We have identified two wider scope audit focus areas for 2016/17, being the areas where we will concentrate our audit work in the year. Firstly we will consider the work undertaken by chief officers and the IJB to consider the achievement of Financial Sustainability in delivery of key priorities.

Secondly, in respect of Governance and Transparency, we will consider the arrangements established to ensure effective governance and scrutiny and transparency in performance reporting.

Key to the assessment and judgement in the wider scope audit areas is the quality of the IJB's self-evaluation to be able to demonstrate the quality and effectiveness of their arrangements. In planning and performing our audit work, we take into account the Accounts Commission's Strategic Audit Priorities.

Executive summary (cont.)



Other audit responsibilities	Pages 15-16
The extent of our other audit responsibilities is expected to develop as the IJB's operations mature. We have regard to statutory responsibilities on local authority bodies in respect of compliance with the Following the Public Pound Code, to the extent it is applicable to the IJB's operations.	
Team, fees and deliverables	Pages 17-18
Stephen Reid is your audit engagement partner, supported principally by Keith Macpherson and John Boyd. As this is first year of the IJB audit, no central fee has been set by Audit Scotland for any integration authorities. We will agree the fee with chief officers on completion of our audit planning, and our understanding of the year-end audit requirements. We have agreed a high level timetable with management to meet statutory and other guidance for reporting.	
Appendices	Pages 19-23

We confirm our independence to act as your external auditor.

We provide you with details of the key communications we are required to provide you with in accordance with Auditing Standards.

About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of West Lothian Integration Joint Board (the IJB) for financial years 2016/17 to 2020/21. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the IJB and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Public sector audit framework

1. Public Sector Audit Framework



In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as West Lothian Integration Joint Board's (the IJB) external auditor for the five year period 2016/17 to 2020/21.

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; relevant Auditing Standards and applicable Practice Notes issued by the Auditing Practices Board; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Plan, prepared for the benefit of IJB management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 March 2017, in accordance with the responsibilities placed on us through the public sector audit framework in Scotland.

Financial statements audit

The IJB's responsibilities

The IJB is responsible for the preparation of the financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation. The Code also sets out the IJB's responsibilities for maintaining accounting records and supporting working papers that have been prepared to an acceptable professional standard.

The IJB is also required to prepare and publish, along with the financial statements, an annual governance statement, management commentary and a remuneration report that are consistent with the disclosures within the financial statements.

Management, with the oversight of the Audit Committee, should ensure communication of relevant information to users about the IJB and its financial performance. Guidance on IJB performance reporting was provided by the Scottish Government in publication <http://www.gov.scot/Publications/2016/03/4544>.

Our responsibilities

We are responsible for conducting an audit of the financial statements of the IJB. We will provide an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the IJB as at 31 March 2017 and its expenditure and income for the year then ended; and
- whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published by the IJB along with its financial statements.

The Local Authority Accounts (Scotland) Regulations 2014 (the Regulations)

In accordance with the Regulations 2014, the signed unaudited annual financial statements should be submitted to the external auditor no later than 30 June 2017. Furthermore, the unaudited annual financial statements should be considered by an appropriate committee of the IJB by 31 August 2017.

The Regulations also set out the requirements for approval of the audited financial statements. The IJB, or relevant committee, is required to approve the audited annual financial statements for signature no later than 30 September 2017. In making their consideration, the Regulations require elected members to have regard to any report made, or advice provided by the proper office of the IJB and the auditor.

To support those charged with governance in discharging these responsibilities, we will report the findings of our audit in our Annual Audit Report.

Key messages

The Code of Audit Practice (the Code) <http://www.audit-scotland.gov.uk/report/code-of-audit-practice-2016> sets out the responsibilities of audited bodies, in accordance with statute and other relevant guidance, in respect of the preparation of financial statements.

We issue our audit opinion on the 'truth and fairness' of the IJB's financial statements in accordance with management's timetable, and by 30 September 2017.

1. Public Sector Audit Framework (cont.)



Together the Accounts Commission and the Auditor General for Scotland agreed the four dimensions set out in the Code which comprise the wider scope audit for public sector in Scotland. These are:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

In local government, audit work over the four dimensions leads to an overall assessment of Best Value.

Wider scope audit

The IJB's responsibilities

The Code sets out the broader responsibilities of the IJB in respect of ensuring proper financial stewardship of public funds. In particular the IJB should establish proper arrangements:

- for ensuring the proper conduct of its affairs, including the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements;
- for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct;
- to ensure that their financial position is soundly based having regard to, for example, balances and reserves including strategies about levels held and their future use and how they plan to deal with uncertainty in the medium and longer term; and
- for securing Best Value in accordance with the IJB's statutory duty, including the preparation and publication of performance information in accordance with directions issued by the Accounts Commission.

Our responsibilities

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider-scope public audit. Our audit work over the wider scope audit dimensions complements our financial statements audit.

 Financial management	 Financial sustainability	 Governance and transparency	 Value for money
We conclude on the effectiveness of financial management arrangements. This includes considering whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.	We consider the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.	We review the adequacy of governance arrangements. In particular, we consider and report on; whether these are appropriate and operating effectively and that there is effective scrutiny, challenge and transparency on decision-making.	We consider whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.

Key messages

The nature of public sector audit means that the focus of audit work is broader than just the financial statements of the IJB.

We report on the four dimensions of public sector audit as set-out jointly by the Accounts Commission and the Auditor General for Scotland.

Judgements in respect of Best Value are formed from the findings in respect of each of the four dimensions.

2. Understanding the Integration Joint Board

2. Understanding the Integration Joint Board

In accordance with the principles of the Code, our audit work is designed to be proportionate and risk based. It is based on an understanding of the strategic environment in which the IJB operates.

Through our knowledge and experience, plus our assessment of how the wider environment impacts on your activities, we tailor our approach to risk assessment.

Through discussion with senior management, and from review of corporate planning documents, we develop an understanding of your priorities and the specific challenges which the IJB faces.

Strategic context

The IJB is an organisation at a relatively early stage of maturity, but having to operate in an increasingly challenging environment. Changes in population demographics across Scotland have increased both the need and the demand for certain services. There has, however, been continued pressure on both NHS spending and the local government finance settlements in recent years.

2016/17 represents the first full year of operation of Integration Authorities, such as the IJB, established to take forward the Scottish Government's programme of reform in respect of Integration of Health and Social Care.

In December 2016, the Scottish Government set out its nine priorities for Integration Authorities in a letter to Chief Officers. These form the context for the IJB to set its own strategic and budget planning going forward.

Understanding the IJB's priorities

The IJB approved its Strategic Plan (West Lothian Integration Joint Board: Strategic Plan 2016-2026) in advance of the commencement of its responsibilities for the planning, resourcing and the operational oversight of a wide range of health and social care services from 1 April 2016. The Strategic Plan was developed drawing on the findings of the Joint Strategic Needs Assessment, completion of which was a requirement of the Public Bodies (Joint Working) (Scotland) Act 2014.

The IJB effects its activity through direction to its constituent authorities in relation to each of the delegated functions. The IJB also operates as a statutory member of the West Lothian Community Planning Partnership and contributes to the delivery of the strategic priorities and outcomes contained in the Strategic Outcomes and Local Delivery Plan.

The Strategic Plan recognises the challenges that the IJB faces in the coming years. With projected population growth exceeding the overall Scottish rate of growth, particularly across age groups of 65+ years, there is likely to be an ever increasing demand on services.

During 2016/17, pressure has been on the budget from the outset. As at 31 December 2017, the IJB forecast a total overspend against budget of £3 million. The IJB will utilise the use of additional one off funding from NHS Lothian in the current year to support a breakeven position. The 2017/18 budget and beyond is expected to be extremely challenging, requiring major changes in how services are configured and delivered.

West Lothian Council approved its 2017/18 budget in February 2017, including the allocation to the IJB. The IJB's budget for 2017/18 will be set in mid March 2017, following agreement of the NHS budget position. The IJB has engaged both West Lothian Council and NHS Lothian to set three year funding projections to enable the IJB to develop medium-term financial plans.

The strength of partnership working arrangements will be a key factor in the ability of the IJB to deliver the significant change required in integrating health and social care to improve services while the overall resource envelope is severely constrained.

Key messages

Our audit approach responds to our understanding of the IJB, and the environment in which it operates. 2016/17 has seen establishment of the IJB's Strategic Plan. Delivery of strategic priorities is undertaken as a statutory member of the West Lothian Community Planning Partnership.

Resources have been tight in 2016/17 and the IJBs breakeven position in the current year is supported through additional non-recurring funding. The 2017/18 budget and beyond is expected to be extremely challenging, requiring major changes in how services are configured and delivered.

3. Financial statements audit

3. Financial statements audit



We provide an opinion on the financial statements as to whether they give a true and fair view of the financial position of the IJB, and whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom. We also review and report on the consistency of the other information prepared and published by the IJB along with its financial statements.

We undertake our financial statements audit work in accordance with the four phases of EY's Global Audit Methodology: *Planning; Identification and assessment of risk; Design and execution of our response to those risks; and Conclude and communicate.*

Planning our audit work

Initial planning, independence and quality assurance

Our initial planning for any audit engagement includes client and engagement acceptance, which includes our documentation of the service requirements. We did not identify any specific audit risks arising from these procedures.

Part of these procedures are designed to ensure compliance with all relevant ethical standards, including independence which we assess for both EY as a firm and the individuals assigned to the audit. We set out more information on our independence in Appendix A.

We identify the team with primary responsibility for performance of the audit. Stephen Reid is the audit partner-in-charge.

Materiality

In accordance with ISA 320 we apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion. Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. We determine:

- Planning materiality (PM) – this is set for the financial statements as a whole, and is used to set the scope for our audit. We have determined this to be £3.1 million, representing 1.5% of estimated gross expenditure.
- Tolerable Error (TE) – materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set this at 50% of PM, being £1.55 million.
- Summary of Audit Differences (SAD) Nominal amount – this is the amount below which misstatements, whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. We have set this at £155,000.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At the end of the audit we will form, and report to you, our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

Key messages

Planning Materiality for the audit has been determined at £3.1 million, representing 1.5% of estimated gross expenditure.

Tolerable Error is set at £1.55 million.

Our SAD nominal amount is £155,000.

3. Financial statements audit (cont.)



We outline our initial assessment of the financial statement risks facing the IJB, identified through our knowledge of the environment in which the IJB operates; discussion with those charged with governance and officers; and through handover and transition arrangements with your previous auditor.

Our risk assessment is ongoing throughout the conduct of our audit and we will report to you any notable changes in our risk assessment during the course of our work.

Risk assessment includes the requirement to consider whether the financial statements as a whole are free of material misstatements whether caused by fraud or error.

Financial statement risks

Auditing standards require us to consider whether any of the risks identified are 'significant' risks to our audit of the IJB and the group. Financial statement significant risks are defined as those with a higher likelihood of occurrence and, if they were to occur, a higher magnitude of impact which could result in a material misstatement of the financial statements.

We are required to perform specific procedures over those risks. These include the identification and testing of the design and implementation of key controls designed to address the risks plus performance of additional substantive procedures in response to the specific risk. We are also required to specifically highlight these significant risks to 'those charged with governance' i.e. the Audit Committee .

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue recognition <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting IJB, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Given the nature of the funding to the IJB, we apply the concept of Practice Note 10 and consider the risk of fraud to be in respect of expenditure recognition.</p>	We will: <ul style="list-style-type: none">▶ Review and test expenditure recognition policies.▶ Review, test and discuss with management any accounting estimates on expenditure recognition for evidence of bias.▶ Develop a testing strategy to test material expenditure streams.▶ Review and test expenditure cut-off around the year end.
Risk of management override <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	Our approach will focus on: <ul style="list-style-type: none">▶ Testing the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.▶ Reviewing accounting estimates made in preparation of the financial statements for any evidence of management bias.▶ Evaluating the business rationale for any significant unusual transactions.

Key messages

Significant risks:

In line with auditing standards we identify significant risks in respect of fraud in expenditure recognition, and in respect of the risk of management override of controls.

At this stage of our audit planning, we have not identified any other significant financial statement risks. We will confirm our updated risk assessment as part of our Annual Audit Report.

3. Financial statements audit (cont.)



Our approach is designed to develop an audit strategy that is responsive to the IJB's risks of material misstatement for transactions and account balances in the financial statements. We obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.

In addition, we plan and perform certain general audit procedures on every audit to address areas that are not directly related to financial statement account assertions. Examples of such procedures include compliance with applicable laws and regulations, litigation and claims, related parties and consideration of fraud.

We remain aware of any changes in the applicable financial reporting framework

Overview of audit approach

We determine which accounts, disclosures and relevant assertions could contain risks of material misstatement based on our understanding of the business, understanding of internal control arrangements and our determination of planning materiality.

We document and walkthrough the key accounting processes within the IJB, in particular with respect to how the IJB has established budgetary oversight of its annual expenditure budget. As part of this work, we will also look to understand the need for an interface with audit work at NHS Lothian. We will also have regard to the work undertaken by internal audit the year in respect of the IJB's internal controls.

To ensure efficiency in our audit work, we employ data analytics as appropriate to allow the testing of full populations of financial transactions.

Responsibilities in respect of fraud and error

Management has primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- Identifying fraud risks during the planning stages.
- Enquiry of management about risks of fraud and the controls to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address any identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified risks.

Changes to the Accounting Code of Practice in 2016/17

We will engage with management to consider their assessment and incorporation of changes to the 2016/17 Accounting Code. Principal amongst these is the introduction of a new expenditure and funding analysis to enable greater transparency and linkage to the management commentary on the performance of the IJB. In addition, the comprehensive income and expenditure statements will now provide a service analysis in line with the basis of the IJB's operational structure, as far as is applicable.

Key messages

We obtain an understanding of the IJB's control environment and key accounting processes in operation.

Management has primary responsibility for the prevention and detection of fraud. We design appropriate audit procedures in response to identified fraud risk factors, for the purpose of detecting material misstatements.

There are no significant changes to the Accounting Code of Practice for 2016/17 although a new expenditure and funding analysis is required.

4. Wider scope audit and other work

4. Wider scope audit framework



Together the Accounts Commission and the Auditor General for Scotland agreed the four dimensions set out in the Code which comprise the wider-scope audit for public sector in Scotland. These are: financial sustainability, financial management, governance and transparency, and value for money.

The Code sets out an expectation that 'significant' risks identified through our planning process that relate to the wider scope dimensions will be communicated with you. In undertaking our risk assessment in respect of the wider scope audit areas, we distinguish between the definition of 'significant risks' which apply to the audit of the financial statements, by referring in our report to 'Wider Scope Audit Focus Areas'.

The focus areas represent where we have identified that we will direct most of our audit effort in the year.

Risk Assessment

The following two Wider Scope Audit Focus Areas have been identified for 2016/17. In undertaking our work, we will factor in the relatively early stage of the IJB's maturity. Our five-year appointment will provide the opportunity to revisit our considerations as the IJB's arrangements continue to evolve.

Wider Scope Audit Focus Areas	Our audit approach
Financial sustainability Achieving a balanced budget for the IJB in 2016/17 has required a focus on actions to control expenditure as well as early approval that integration funding would be used as part of the mechanisms to provide the IJB with the resources to meet expenditure. The 2017/18 budget has not yet been approved as this is dependent on the budget allocations from both West Lothian Council and NHS Lothian. Delivering on the IJB's strategic priorities will, however, require an ability to transform and deliver significant recurring efficiency savings, while at the same time ensuring that core delivery is not affected.	Our approach will focus on: <ul style="list-style-type: none">▶ The effectiveness of the financial planning systems and identifying and addressing risks to financial sustainability across shorter and longer terms.▶ Whether the IJB can demonstrate the affordability and effectiveness of funding and investment decisions that it has made.▶ The appropriateness of the arrangements to address identified funding gaps and whether the body can demonstrate that these arrangements are working.
Linkage to Accounts Commission Strategic Priority: <ul style="list-style-type: none">▶ The clarity of priorities and quality of long-term planning to achieve these.▶ How effective are arrangements to ensure board members and officers have the right knowledge, skills and time to lead and manage delivery of priorities.	
Governance and transparency The Board and officers of the IJB are responsible for establishing robust governance arrangements. This includes ensuring effective systems of internal control, including arrangements to safeguard public money, and compliance with applicable laws and regulations. With this being the first year of full operation of the IJB, it is important that appropriate governance arrangements are established from the outset, to support delivery of strategic objectives and transparent scrutiny of the IJB's performance.	Our approach will focus on consideration of whether: <ul style="list-style-type: none">▶ The IJB can demonstrate that the governance arrangements are appropriate and operating effectively.▶ There is effective scrutiny, challenge and transparency on decision making and financial and performance reports.▶ Finance and performance reports support effective scrutiny and challenge.
Linkage to Accounts Commission Strategic Priority: <ul style="list-style-type: none">▶ The clarity of priorities and quality of long-term planning to achieve these.	

Key messages

The wider scope audit as set out in the Code plays a key role in the public sector audit framework in Scotland. We have identified two wider scope audit focus areas for 2016/17. Firstly we will consider the work undertaken by chief officers and the IJB to consider the achievement of Financial Sustainability in delivery of key priorities.

Secondly, in respect of Governance and Transparency, we will consider the arrangements established to ensure effective governance and scrutiny and transparency in performance reporting.

4. Wider scope audit framework (cont.)



In local government, the Accounts Commission has also agreed its five Strategic Audit Priorities, which should be incorporated in audit planning.

Our annual audit work in respect of the wider scope audit, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value.

Other aspects of the wider scope audit

- **Financial management** - With the significant financial challenges facing public sector bodies, it is essential that the IJB has robust financial management arrangements to ensure that it can continue to deliver services. This dimension has more focus therefore on in-year budget management and maintaining a sound system of internal control.
- **Value for Money** – this dimension is focused on how the IJB effectively utilises its resources and the arrangements in place to continually improve services.

We undertake work in respect of these additional audit dimensions but have not at this time scoped these as having a need for higher audit focus.

Key to the assessment and judgement in the wider scope audit areas is the quality of the IJB's self-evaluation to be able to demonstrate the quality and effectiveness of their arrangements.

Accounts Commission's Strategic Audit Priorities

In undertaking our work in respect of the four audit dimensions, we draw your attention to the Accounts Commission's recently published Strategic Audit Priorities, being:

- The clarity of priorities and quality of long-term planning to achieve these.
- How effective is the evaluation of options for significant changes in delivering services.
- How effective are arrangements to ensure board members and officers have the right knowledge, skills and time to lead and manage delivery of priorities.
- How effectively are citizens involved in decisions about services.
- The quality of public performance reporting to help citizens gauge improvement.

We take these into account when planning our work and link them to the wider scope audit focus areas identified.

Key messages

Key to the assessment and judgement in the wider scope audit areas is the quality of the IJB's self-evaluation to be able to demonstrate the quality and effectiveness of their arrangements.

In planning and performing our audit work, we take into account the Accounts Commission's Strategic Audit Priorities.

5. Other audit responsibilities

4. Wider scope audit and other work (cont.)



Under the terms of our appointment, our role and responsibilities extend beyond the audit of the financial statements and the wider-scope audit dimensions.

There are a number of further areas of audit activity that we will cover over the term of our appointment. These include for example, participation in the wider Shared Risk Assessment at local authority level which may impact on the IJB, our responsibilities in relation to Following the Public Pound and the impact of national studies undertaken by Audit Scotland.

Shared Risk Assessment (SRA)

While there is no formal SRA process for integration authorities, the Local Area Network (LAN) for the associated local authority will consider health and social care outcomes, governance and partnership working as part of their assessment of the local authority. We are also the appointed auditor of West Lothian Council and participate in the West Lothian Council SRA.

Following the Public Pound

Local Authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on Funding External Bodies and Following the Public Pound (the FtPP Code). By extension, there is an expectation on the IJB to be able to demonstrate adherence to the principles of the FtPP Code, as these are embedded into the new approach to auditing Best Value. As part of our risk based planning approach we will consider the IJB's arrangements to comply with the FtPP Code.

Over our five year appointment, Audit Scotland undertake performance audits across local authority bodies. During 2017, Audit Scotland will be undertaking a performance audit relating to Arms Length Organisations (ALEOs). It is not clear at this stage to what extent IJB's will be scoped into this work.

We link this work directly to that undertaken to support the conclusions on the Governance and Transparency audit dimension.

Audit Scotland – National Study Programme

Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Audit Scotland ask us to ensure that public bodies review the national studies relevant to them at an appropriate committee level and act on them accordingly.

Key messages

The extent of our other audit responsibilities is expected to develop as the IJB's operations mature. We have regard to statutory responsibilities on local authority bodies in respect of compliance with the Following the Public Pound Code, to the extent it is applicable to the IJB's operations.

6. Team, fees and deliverables

6. Team, fees and deliverables



We identify an audit team with the relevant skills and experience. All members of our core team have several years experience in the audit of local government. The engagement team is led by Stephen Reid, who is one of three partners leading EY's Government and Public Sector practice in the UK. Stephen is supported by Keith Macpherson, our Head of Government & Public Sector Audit in Scotland. John Boyd will be the manager for the financial statements audit.

The audit fee is determined in line with Audit Scotland's fee setting arrangements, set out in recent communications to all audited bodies in line with their publication on '*Our Approach to setting audit fees*'

(http://www.audit-scotland.gov.uk/uploads/docs/um/audit_fee_approach.pdf).

Audit team

Individual	Contact details	
Stephen Reid	T: 07795 307 033	E: sreid2@uk.ey.com
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John Boyd	T: 07870 738 834	E: jboyd1@uk.ey.com

2016/17 Audit fee

Due to the nature of the IJB, with this being the first full year of operation, no expected fee has been set centrally by Audit Scotland. At this time, we are still in discussion with senior officers in respect of the audit work requirements and consequently we have not yet agreed the fee with them. We will confirm this to you in due course.

Timeline and deliverables

Audit activity	Deliverables
Planning, identification and assessment of risks: December 2016 – March 2017	
► Introductory meetings with senior management	1. Annual Audit Plan, presented to Audit Committee, 27/2/2017
► Handover discussions with outgoing auditor	
► Review of Audit Scotland planning guidance	
► Review of IJB documentation	
Design and execute response to risks (April – Aug 2017)	
► Onsite fieldwork, documentation and walkthrough of key accounting processes	2. Submit any fraud returns to Audit Scotland by 26/5/2017
► Testing of key financial controls as appropriate	
► Commencement of year-end substantive audit fieldwork on unaudited accounts	
Conclude and communicate (Sept – Oct 2017)	
► Conclude on results of audit procedures	3. Annual Audit Report, to Audit Committee (date tbc)
► Audit clearance meeting with senior management, and report findings to those charged with governance	4. Certify Annual Accounts – by 30/9/2017
► Issue opinion on the IJB's financial statements	5. Submit other assurance / data returns as required (requirements to be confirmed)

Key messages

Stephen Reid is your audit engagement partner, supported principally by Keith Macpherson and John Boyd.

As this is first year of the IJB audit, no central fee has been set by Audit Scotland for any integration authorities. We will agree the fee with chief officers on completion of our audit planning, and our understanding of the year-end audit requirements.

We have agreed a high level timetable with management to meet statutory and other guidance for reporting.

Appendices

A – Auditor Independence

B – Required Communications

A. Independence



The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity.

The Ethical Standards require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate.

The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communication	
Planning stage	Final stage
<ul style="list-style-type: none">▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us.▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review.▶ The overall assessment of threats and safeguards.▶ Information about the general policies and process within EY to maintain objectivity and independence.	<ul style="list-style-type: none">▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.▶ Details of non-audit services provided and the fees charged in relation thereto.▶ Written confirmation that we are independent.▶ Details of any inconsistencies between APB Ethical Standards, Audit Scotland's Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy.▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the IJB.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with any of the policies that the IJB may have approved and that are in compliance with Audit Scotland's Terms of Appointment. At the time of writing, no non-audit services have been provided.

A. Independence (cont.)



Self-interest threats (cont.)

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the IJB. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

The 2016/17 audit year is the first year that Stephen Reid has led the audit of West Lothian IJB. We assessed this relationship prior to the commencement of the audit period and concluded that there are no considerations that compromise, or could be perceived to compromise, Stephen Reid's independence or objectivity.

Overall Assessment

Overall we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, the Audit Engagement Partner and the audit engagement team have not been compromised.

B. Communications



EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

There are certain additional communications that we must provide to the Audit Committee , which are set out below.

Required communication	Reference
Planning and audit approach <ul style="list-style-type: none">▶ Communication of the planned scope and timing of the audit including any limitations.	▶ Annual Audit Plan
Significant findings from the audit <ul style="list-style-type: none">▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures▶ Significant difficulties, if any, encountered during the audit▶ Significant matters, if any, arising from the audit that were discussed with management▶ Written representations that we are seeking▶ Expected modifications to the audit report▶ Other matters if any, significant to the oversight of the financial reporting process▶ Findings and issues regarding the opening balances on initial audits	▶ Annual Audit Report
Misstatements <ul style="list-style-type: none">▶ Uncorrected misstatements and their effect on our audit opinion▶ The effect of uncorrected misstatements related to prior periods▶ A request that any uncorrected misstatement be corrected▶ In writing, corrected misstatements that are significant	▶ Annual Audit Report
Fraud <ul style="list-style-type: none">▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist▶ A discussion of any other matters related to fraud	▶ Annual Audit Plan ▶ Annual Audit Report
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none">▶ Non-disclosure by management▶ Inappropriate authorisation and approval of transactions▶ Disagreement over disclosures▶ Non-compliance with laws and regulations▶ Difficulty in identifying the party that ultimately controls the entity	▶ Annual Audit Report
External confirmations <ul style="list-style-type: none">▶ Management's refusal for us to request confirmations▶ Inability to obtain relevant and reliable audit evidence from other procedures	▶ Annual Audit Report

B. Communications (cont.)



Required communication	Reference
Significant deficiencies in internal controls identified during the audit	► Annual Audit Report
Consideration of laws and regulations <ul style="list-style-type: none"> <li data-bbox="139 406 1129 462">► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off <li data-bbox="139 480 1129 563">► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	► Annual Audit Report
Independence <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li data-bbox="139 759 886 792">► The principal threats, and any safeguards adopted and their effectiveness <li data-bbox="139 804 647 837">► An overall assessment of threats and safeguards <li data-bbox="139 848 1060 907">► Information about the general policies and process within the firm to maintain objectivity and independence 	► Annual Audit Plan ► Annual Audit Report
Going concern <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li data-bbox="139 1042 806 1075">► Whether the events or conditions constitute a material uncertainty <li data-bbox="139 1087 1129 1147">► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements <li data-bbox="139 1158 790 1192">► The adequacy of related disclosures in the financial statements 	► Annual Audit Report
Group audits <ul style="list-style-type: none"> <li data-bbox="139 1260 1129 1349">► An overview of the type of work to be performed on the financial information of the components, and of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components <li data-bbox="139 1361 1129 1421">► Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work <li data-bbox="139 1432 1081 1491">► Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted <li data-bbox="139 1502 1113 1596">► Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	► Annual Audit Report
Fee information and confirmation of additional certification work <ul style="list-style-type: none"> <li data-bbox="139 1657 398 1691">► Details of the audit fee <li data-bbox="139 1702 727 1736">► Summary of additional audit certification work undertaken 	► Annual Audit Plan ► Annual Audit Report

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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West Lothian Integration Joint Board Audit Risk and Governance Committee

Date: 31 March 2017

Agenda Item: 7

INTERNAL AUDIT OF STRATEGIC PLANNING

REPORT BY INTERNAL AUDITOR

A PURPOSE OF REPORT

To inform the Committee of our internal audit of strategic planning.

B RECOMMENDATION

It is recommended that the Committee considers the internal audit report and its findings, and notes that control is considered to be effective.

C TERMS OF REPORT

In accordance with the internal audit plan for 2016/17, we have undertaken an audit of IJB strategic planning. The objectives of the audit were to undertake a high level review of the processes for preparing and approving the IJB Strategic Plan, and monitoring progress. The resultant audit report is appended, and agreed management action is included as an action plan within the audit report.

D CONSULTATION

Council and NHS officers as part of the internal audit process.

E REFERENCES/BACKGROUND

Report to West Lothian Integration Joint Board Audit Risk and Governance Committee 24 June 2016: Internal Audit Plan 2016/17.

F APPENDICES

Internal audit report dated 22 March 2017: IJB Strategic Planning

G SUMMARY OF IMPLICATIONS

Equality/Health	The report has been assessed as having little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, equality impact assessment has not been conducted. The relevance assessment can be viewed via the background references to this report.
------------------------	--

National health and Well-Being Outcomes	Indirectly via the audit of key processes to determine their effectiveness.
Strategic Plan outcomes	Indirectly via the audit of key processes to determine their effectiveness.
Single Outcome Agreement	Indirectly via the audit of key processes to determine their effectiveness.
Impact on other Lothian IJBs	None.
Resource/Finance	None.
Policy/Legal	None.
Risk	The audit links directly to risk IJB002 “Failure to effectively implement the Strategic Plan”.

H CONTACT

Kenneth Ribbons, Internal Auditor, tel. 01506 281573

Kenneth.ribbons@westlothian.gov.uk

31 March 2017

EX1606

INTERNAL AUDIT REPORT

WEST LOTHIAN INTEGRATION JOINT BOARD

IJB STRATEGIC PLANNING

22 March 2017

CONTENTS

No.	Section	Page
1.	Executive Summary	1
2.	Remit	2
3.	Action Plan	3
	Appendix A: Definitions of Audit Findings & Audit Opinion	4

1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2016/17, we have undertaken a review of strategic planning by the West Lothian Integration Joint Board (IJB) and conclude that the level of control is **effective**.
- 1.2 The audit remit is set out in section two.
- 1.3 The West Lothian IJB was formally constituted on 21 September 2015 upon the approval of the Integration Scheme by the Scottish Government, and the West Lothian IJB Strategic Plan 2016 - 2026 was adopted by the IJB on 31 March 2016.
- 1.4 The following key controls were found to be in place in relation to development, implementation and monitoring of the strategic plan:
 - there is a Strategic Planning Group (SPG) which, as stated in its remit, has “a significant role in supporting the IJB to deliver against the National Health and Wellbeing Outcomes and in accordance with the Integration Delivery Principles”;
 - the SPG in conjunction with the IJB developed the Strategic Plan, and there was a formal process for the development, consultation, revision and approval of the plan, with regular reporting on progress to the IJB;
 - as stated above, the strategic plan was approved by the IJB on 31 March 2016; the Plan includes sections on strategic commissioning, strategic priorities, monitoring performance, and the financial framework;
 - the first annual review of the Strategic Plan was reported to the IJB on 14 March 2017 and was approved by the IJB.
- 1.5 The Integration Scheme between West Lothian Council and NHS Lothian states that the Strategic Plan should contain a rolling three year action plan to be reviewed and updated on an annual basis. Our previous audit of the IJB’s governance arrangements identified that the three year action plan was outstanding. However, on 14 March 2017 the IJB approved the Health and Social Care Delivery Plan, which constitutes the three year action plan.
- 1.6 The action plan in section three details our findings and grades their importance (appendix A). There is one finding of medium importance, relating to slippage in the development of Locality Plans (ref: 3.1) which are now scheduled for presentation during April 2017. The implementation of the agreed action will help improve control.
- 1.7 We appreciate the assistance of West Lothian IJB staff during the conduct of our audit. Should you require any further assistance please contact Colin Carmichael, Auditor.

Kenneth Ribbons
Internal Auditor

2.0 REMIT

- 2.1 The objectives of the audit were to undertake a high level review of the processes for preparing, approving and monitoring progress of the WL IJB Strategic Plan 2016 – 2026.
- 2.2 Our review concentrated on the key controls and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 2.3 We agreed the draft report for factual accuracy with Alan Bell, Senior Manager on 20 March 2017.
- 2.4 The Director of the West Lothian IJB is responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.5 We carry out follow-up reviews on a risk based approach. The IJB Internal Auditor will determine the need for a follow-up review of this report.
- 2.6 In accordance with the IJB's agreed risk management strategy IJB managers are required to record internal audit findings in Covalent as risk actions and to link these to the corresponding risks.
- 2.7 Audit findings that are not implemented will be reported to the Audit, Risk and Governance Committee and considered for inclusion in the Annual Governance Statement.

3.0 ACTION PLAN

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><u>Locality Plans - Timescale Slippage</u></p> <p>At time of our audit Locality Plans had not been finalised. These were initially scheduled for consideration at the March 2017 SPG meeting, but have since been deferred to April 2017.</p> <p>Risk</p> <p>Needs specific to individual localities are not fully considered in planning and commissioning.</p>	<p>A report will be presented to the next SPG on 20 April 2017. This will include draft plans for community engagement in each of the two Localities. These drafts will incorporate Locality based input to the needs assessments for current commissioning plans and specific Locality based actions in respect of any gaps identified by the needs assessments.</p>	Medium
			Responsible Officer
			Alan Bell
			Risk Identifier
			Risk Ref: IJB002 IJB007
			Action Date
			20/04/2017

APPENDIX A

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

AUDIT FINDINGS

Each finding has a level of importance attached to it and will be ranked as '**High**', '**Medium**' or '**Low**'.

AUDIT OPINION

Our overall opinion on the controls in place is based on the level of importance attached to the findings in our audit report. The overall audit opinions are as follows:

OVERALL OPINION	DEFINITION
EFFECTIVE	No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.
SATISFACTORY	No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.
REQUIRES IMPROVEMENT	A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.
UNSOULD	A considerable number of findings ranked as 'High' importance resulting in an unsound system of control. There may also be a number of findings ranked as 'Low' and 'Medium' importance.

West Lothian Integration Joint Board Audit Risk and Governance Committee

Date: 31 March 2017

Agenda Item: 8

RISK MANAGEMENT

REPORT BY DIRECTOR

A PURPOSE OF REPORT

To advise the Committee of the updated IJB risk register.

B RECOMMENDATION

It is recommended that the Committee considers the risks identified, the control measures in place, and the risk actions in progress to mitigate their impact.

C TERMS OF REPORT

In accordance with the Risk Management Strategy approved by the West Lothian Integration Joint Board on 14 March, the Audit, Risk and Governance Committee is required to review the risk register at least twice per annum.

Appendix one sets out, for each risk, the risk description, current controls, original risk, current risk, target risk, and associated risk actions. In relation to appendix one:

- The traffic light icon represents the risk ranking based on the score (i.e. high, medium high, medium or low); these are explained further in the table at the start of appendix 1;
- The original risk score represents the uncontrolled risk, that is to say the potential impact if controls are absent or fail;
- The current risk score represents the current risk, i.e. assuming that current controls are in place and effective;
- The target risk is the risk score being worked towards;
- The internal controls are those processes in place to reduce the risk from original risk score to current risk score;
- The risk actions are those measures in progress which are intended to further reduce the current risk.

Appendix two summarises progress in relation to the risk actions. The standard risk assessment methodology is attached as appendix three.

D CONSULTATION

IJB Senior Management Team.

E REFERENCES/BACKGROUND

Report to West Lothian Integration Joint Board Audit Risk and Governance Committee 6 January 2017: Risk Management.

Report to West Lothian Integration Joint Board 14 March 2017: Risk Management Policy and Strategy.

F APPENDICES

1. Integration Joint Board Risks
2. Integration Joint Board Risk Actions
3. Risk Management Methodology

G SUMMARY OF IMPLICATIONS

Equality/Health	The report has been assessed as having little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, equality impact assessment has not been conducted. The relevance assessment can be viewed via the background references to this report.
National health and Well-Being Outcomes	Effective risk management is a pre-requisite for effective performance.
Strategic Plan outcomes	Effective risk management is a pre-requisite for effective performance.
Single Outcome Agreement	Effective risk management is a pre-requisite for effective performance.
Impact on other Lothian IJBs	None.
Resource/Finance	None.
Policy/Legal	None.
Risk	This report sets out progress in relation to management of the IJB's risks.

H CONTACT

Kenneth Ribbons, Internal Auditor, tel. 01506 281573

Kenneth.ribbons@westlothian.gov.uk

31 March 2017

Appendix 1 IJB Risks

Report Author: Kenneth Ribbons

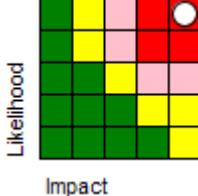
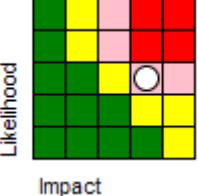
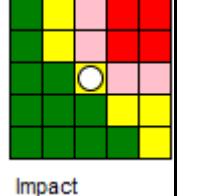
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Report Layout: .R09b_Internal Controls, Original Score, Current Score, Target Score with linked Actions(grp=Category)_G

Rows are sorted by Risk Score, Risk Score

Key to Icons

Icon	Score	Meaning
	16-25	High
	12-15	Medium High
	5-10	Medium
	1-5	Low

	IJB005 Inadequate Funding			Funding is inadequate to meet strategic objectives, or is inadequately prioritised.						
Risk Score	Original Risk Matrix	Risk Score	Current Risk Matrix	Risk Score	Target Risk Matrix	Linked Risk Actions	Assigned to:	Due Date	Progress	Action
25		12		9		 IJB16015_Ar Medium Term Financial Plan	Patrick Welsh	31-Dec-2017	<div style="width: 15%;">15%</div>	Preparation of a medium term financial plan covering a minimum three year period to 31/3/21. Report on proposed approach to medium term financial plan will be presented to IJB on 27 June 2017.
						 IJB16013_Ari Medium Term Financial Reporting Update	Patrick Welsh	31-Mar-2017	<div style="width: 100%;">100%</div>	An update report on medium term financial planning will be presented to the Board following the 2017/18 Scottish Government budget announcement expected in late 2016 / early 2017.
						 IJB16014_Ari Financial Assurance and Risk Review	Patrick Welsh	31-Mar-2017	<div style="width: 100%;">100%</div>	Future monitoring reports and future year financial assurance reports will include reference to categorised risk areas noted as relevant.



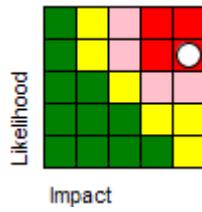
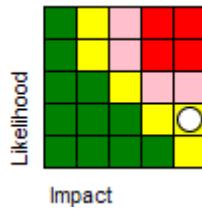
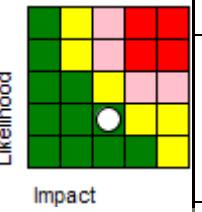
IJB008 Workforce Management

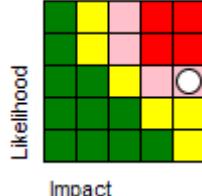
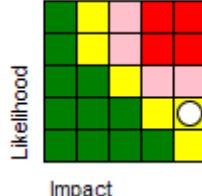
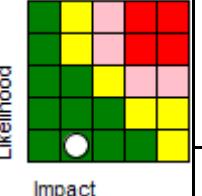
Failure to develop a sustainable workforce will affect performance and ability to achieve strategic objectives.

Current Controls:

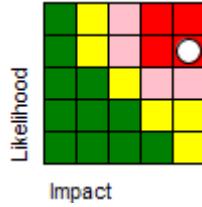
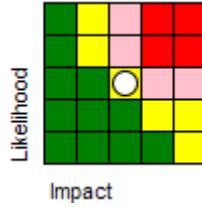
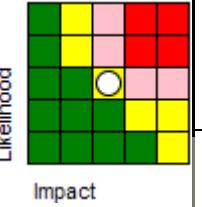
NHS and WLC workforce plans
NHS and WLC recruitment policies
Monitoring via review of performance in relation to staff absence, recruitment / turnover
Training and development
Performance review

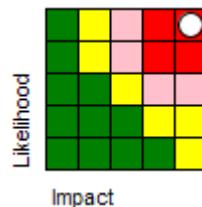
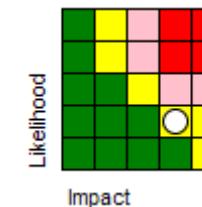
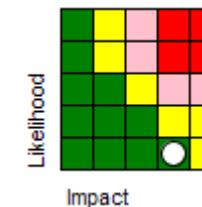
Risk Score	Original Risk Matrix	Risk Score	Current Risk Matrix	Risk Score	Target Risk Matrix	Linked Risk Actions	Assigned to:	Due Date	Progress	Action
12		12		9		IJB16001_Ar Workforce Plan	Alan Bell	30-Sep-2017	<div style="width: 30%;"><div style="width: 100%;">30%</div></div>	Finalise and deploy workforce plan.

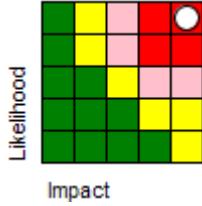
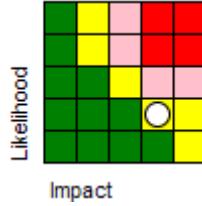
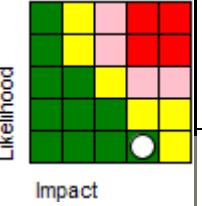
	IJB002 Failure to effectively implement the Strategic Plan			Failure to effectively implement the strategic plan leading to key objectives not being achieved.						
				Current Controls: National outcomes. Local outcomes. Clear vision as to what is required Strategic Plan based on national and local policy Review of plan by IJB SMT Approval of plan by IJB Board						
Risk Score	Original Risk Matrix	Risk Score	Current Risk Matrix	Risk Score	Target Risk Matrix	Linked Risk Actions	Assigned to:	Due Date	Progress	Action
20		10		6		 IJB16005_Ar Delivery of the Annual Report	Carol Bebbington	31-Jul-2017	<div style="width: 50%;">50%</div>	Delivery of the 2016/17 Annual Report to the IJB.
						 IJB16004_Ari Presentation of Strategic Plan Action Plan to the IJB	Carol Bebbington	31-Mar-2017	<div style="width: 100%;">100%</div>	The action plan will be presented to the Board by 31 March 2017.

	IJB001 Governance Failure			Lack of leadership and / or ineffective governance leading to failure to meet key objectives, financial overspends or reputational damage.						
Risk Score	Original Risk Matrix	Risk Score	Current Risk Matrix	Risk Score	Target Risk Matrix	Linked Risk Actions	Assigned to:	Due Date	Progress	Action
15		10		2		 IJB16007_Ari IJB Audit, Risk and Governance Committee Membership	Jim Forrest	31-Mar-2017	<div style="width: 50%;">50%</div>	There is scope to consider ways in which non-voting "advisers" or "associate members" may be involved in the Audit, Risk and Governance Committee in some capacity.
						 IJB16009_Ari Independent audit of IJB risk management	Kenneth Ribbons	31-Mar-2018	<div style="width: 10%;">10%</div>	With the permission of the IJB Audit Risk and Governance Committee, the Falkirk internal audit team will be invited to provide independent assurance as to the IJB's risk management activities.
						 IJB16010_Ari SLA's for IJB Audit, Risk and Governance Services	Jim Forrest	31-Mar-2017	<div style="width: 10%;">10%</div>	SLA's will be put in place by 31 March 2017.
						 IJB16011_Ari Progress in IJB Governance Arrangements	Jim Forrest	30-Sep-2017	<div style="width: 62%;">62%</div>	The requirements of the integration scheme are scheduled to be completed by the 31 March 2017, with the exception of the full implementation of

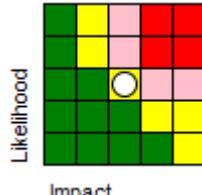
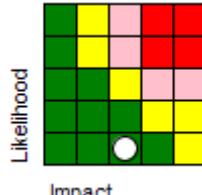
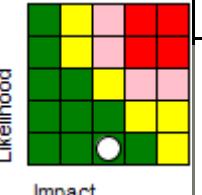
						Community Planning participation which is scheduled for completion by 30 June 2017 and the preparation of a Code of Corporate Governance which is scheduled for completion by 30 September 2017.
	 IJB15001_Ari Governance and Key Actions	Jim Forrest	29-Feb-2016	<div style="width: 100%;">100%</div>	A report was submitted to the IJB meeting of 8/12/15 agreeing the establishment of an Appointments Committee to deal with the appointments of the Director (Chief Officer), Finance Officer, Internal Audit Officer and Standards Officer.	
	 IJB16002_Ar Review of outstanding actions re IJB integration scheme	Alan Bell	31-Dec-2016	<div style="width: 100%;">100%</div>	Report on outstanding actions and monitoring of progress.	
	 IJB16008_Ari IJB Risk Management Strategy and Policy	Kenneth Ribbons	14-Mar-2017	<div style="width: 100%;">100%</div>	The Risk Management Strategy and Policy will be finalised and reported to the IJB meeting on 14 March 2017.	

	IJB009 Demographic Changes			Current service models unable to meet future service demands, due to the rapid increase in the ageing population and corresponding increase demand for health and social care services.							
Current Controls:						Strategic Plan Older People Commissioning Plan Frailty Programme Management of customer expectation via participation and engagement plan					
Risk Score	Original Risk Matrix	Risk Score	Current Risk Matrix	Risk Score	Target Risk Matrix	Linked Risk Actions	Assigned to:	Due Date	Progress	Action	
20		9		9			IJB16006_Ar IJB Commissioning Plans	Carol Bebbington	31-Mar-2016	<div style="width: 100%;">100%</div>	Approval and implementation of commissioning plans.

	IJB004 Failure of Clinical and Care Governance			Resulting in harm to service users, harm to reputation, or service failure.							
				Current Controls: Existing clinical and care governance arrangements within NHS and Social Policy. Effective performance reporting to IJB SMT and Board. Care and governance group to be formed.							
Risk Score	Original Risk Matrix	Risk Score	Current Risk Matrix	Risk Score	Target Risk Matrix	Linked	Risk Actions	Assigned to:	Due Date	Progress	Action
25		8		4			IJB16003_Ar Health and Care Governance Group	Carol Bebbington	31-Dec-2016	<div style="width: 60%;">60%</div>	Health and Care Governance Group operational.
							IJB16012_Ari Clinical Director Annual Report	Jim Forrest	30-Jun-2017	<div style="width: 0%;">0%</div>	The Clinical Director will prepare a report covering clinical governance for 2016/17 and this will be presented to the Board by 30 June 2017.

	IJB006 Failure of Health and Safety Arrangements.			Harm to employees, volunteers or contractors.						
	Current Controls:			Existing health and safety arrangements on council and health sides Effective performance reporting to IJB SMT Integrated health and safety committee meets quarterly.						
Risk Score	Original Risk Matrix	Risk Score	Current Risk Matrix	Risk Score	Target Risk Matrix	Linked Risk Actions	Assigned to:	Due Date	Progress	Action
25		8		4		 IJB16016_Ar Health and Safety reporting to IJB	Jim Forrest	30-Sep-2017	<div style="width: 0%;"><div style="width: 0%;">0%</div></div>	Implementation of appropriate health and safety reporting arrangements to the IJB

	IJB003 Inadequate Performance Management			Inadequate performance management leads to key performance measures not met.							
	Current Controls:			Agreed outcomes / performance measures Robust performance management within WLC / NHS Regular monitoring by IJB SMT Regular reporting of performance to IJB							
Risk Score	Original Risk Matrix	Risk Score	Current Risk Matrix	Risk Score	Target Risk Matrix	Linked Risk Actions	Assigned to:	Due Date	Progress	Action	
12		6		6			IJB16005_Ar Delivery of the Annual Report	Carol Bebbington	31-Jul-2017	<div style="width: 50%;">50%</div>	Delivery of the 2016/17 Annual Report to the IJB.

	IJB007 Community Planning Failure				Inability to work effectively with partners leading to poorer outcomes.					
					Current Controls: Participation in Community Planning arrangements. Strategic Plan.					
Risk Score	Original Risk Matrix	Risk Score	Current Risk Matrix	Risk Score	Target Risk Matrix	Linked Risk Actions	Assigned to:	Due Date	Progress	Action
9		3		3						

Appendix 2 IJB Risk Actions

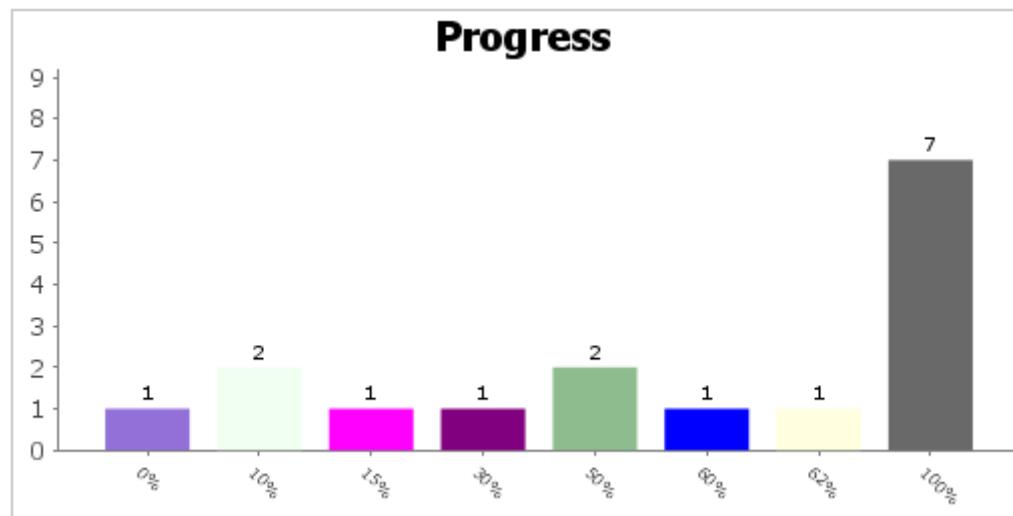
Report Type: Actions Report

Report Author: Kenneth Ribbons

Generated on: 23 March 2017 10:18

Report Layout: Actions Progress summary, with desired outcome

Rows are sorted by Original Due Date



Status	Action Code & Title	Action	Due Date	Progress Bar	Assigned To	Linked Risks Code & Title
✓	IJB15001_Ari Governance and Key Actions	A report was submitted to the IJB meeting of 8/12/15 agreeing the establishment of an Appointments Committee to deal with the appointments of the Director (Chief Officer), Finance Officer, Internal Audit Officer and Standards Officer.	29-Feb-2016	<div style="width: 100%;">100%</div>	Jim Forrest	IJB001 Governance Failure
✓	IJB16006_Ar IJB Commissioning Plans	Approval and implementation of commissioning plans.	31-Mar-2016	<div style="width: 100%;">100%</div>	Carol Bebbington	IJB009 Demographic Changes

Status	Action Code & Title	Action	Due Date	Progress Bar	Assigned To	Linked Risks Code & Title
	IJB16001_Ar Workforce Plan	Finalise and deploy workforce plan.	30-Sep-2017	<div style="width: 30%;">30%</div>	Alan Bell	IJB008 Workforce Management
	IJB16002_Ar Review of outstanding actions re IJB integration scheme	Report on outstanding actions and monitoring of progress.	31-Dec-2016	<div style="width: 100%;">100%</div>	Alan Bell	IJB001 Governance Failure
	IJB16003_Ar Health and Care Governance Group	Health and Care Governance Group operational.	31-Dec-2016	<div style="width: 60%;">60%</div>	Carol Bebbington	IJB004 Failure of Clinical and Care Governance
	IJB16008_Ari IJB Risk Management Strategy and Policy	The Risk Management Strategy and Policy will be finalised and reported to the IJB meeting on 14 March 2017.	14-Mar-2017	<div style="width: 100%;">100%</div>	Kenneth Ribbons	IJB001 Governance Failure
	IJB16004_Ari Presentation of Strategic Plan Action Plan to the IJB	The action plan will be presented to the Board by 31 March 2017.	31-Mar-2017	<div style="width: 100%;">100%</div>	Carol Bebbington	IJB002 Failure to effectively implement the Strategic Plan
	IJB16007_Ari IJB Audit, Risk and Governance Committee Membership	There is scope to consider ways in which non-voting "advisers" or "associate members" may be involved in the Audit, Risk and Governance Committee in some capacity.	31-Mar-2017	<div style="width: 50%;">50%</div>	Jim Forrest	IJB001 Governance Failure
	IJB16010_Ari SLA's for IJB Audit, Risk and Governance Services	SLA's will be put in place by 31 March 2017.	31-Mar-2017	<div style="width: 10%;">10%</div>	Jim Forrest	IJB001 Governance Failure
	IJB16013_Ari Medium Term Financial Reporting Update	An update report on medium term financial planning will be presented to the Board following the 2017/18 Scottish Government budget announcement expected in late 2016 / early 2017.	31-Mar-2017	<div style="width: 100%;">100%</div>	Patrick Welsh	IJB005 Inadequate Funding
	IJB16014_Ari Financial Assurance and Risk Review	Future monitoring reports and future year financial assurance reports will include reference to categorised risk areas noted as relevant.	31-Mar-2017	<div style="width: 100%;">100%</div>	Patrick Welsh	IJB005 Inadequate Funding
	IJB16012_Ari Clinical Director Annual Report	The Clinical Director will prepare a report covering clinical governance for 2016/17 and this will be presented to the Board by 30 June 2017.	30-Jun-2017	<div style="width: 0%;">0%</div>	Jim Forrest	IJB004 Failure of Clinical and Care Governance
	IJB16005_Ar Delivery of the Annual Report	Delivery of the 2016/17 Annual Report to the IJB.	31-Jul-2017	<div style="width: 50%;">50%</div>	Carol Bebbington	IJB002 Failure to effectively implement the Strategic Plan IJB003 Inadequate

Status	Action Code & Title	Action	Due Date	Progress Bar	Assigned To	Linked Risks Code & Title
						Performance Management
	IJB16011_Ari Progress in IJB Governance Arrangements	<p>The requirements of the integration scheme are scheduled to be completed by the 31 March 2017, with the exception of the full implementation of Community Planning participation which is scheduled for completion by 30 June 2017 and the preparation of a Code of Corporate Governance which is scheduled for completion by 30 September 2017.</p> <p>There is a monitoring process in place which ensures progress is monitored on a regular basis.</p>	30-Sep-2017	<div style="width: 62%;">62%</div>	Jim Forrest	IJB001 Governance Failure
	IJB16015_Ar Medium Term Financial Plan	Preparation of a medium term financial plan covering a minimum three year period to 31/3/21. Report on proposed approach to medium term financial plan will be presented to IJB on 27 June 2017.	31-Dec-2017	<div style="width: 15%;">15%</div>	Patrick Welsh	IJB005 Inadequate Funding
	IJB16009_Ari Independent audit of IJB risk management	With the permission of the IJB Audit Risk and Governance Committee, the Falkirk internal audit team will be invited to provide independent assurance as to the IJB's risk management activities.	31-Mar-2018	<div style="width: 10%;">10%</div>	Kenneth Ribbons	IJB001 Governance Failure

PROBABILITY TABLE

1	Unlikely	Has not happened so far and is unlikely to happen.
2	Possible	Has happened to neighbours and could happen here.
3	Likely	Has happened in the past or can be expected to happen sometime.
4	Very Likely	Has happened within the last three years and can be expected to happen again.
5	Almost Certain	It has happened several times a year and can be expected to happen.

The table is based on past history or knowledge of problems elsewhere. These are easier to judge, but you may also consider 5 is relevant for "accidents waiting to happen".

In assessing risk be aware that the absence of controls may result in an increased likelihood of an event. For example, an event assessed with current controls as possible, may be assessed with the absence of controls as likely or higher.

IMPACT TABLE

Impact Risk Assessment - each column is independent. Use the highest score.

Hazard	Personal safety	Property loss or damage	Regulatory / statutory / contractual	Financial loss or increased cost of working	Impact on service delivery	Personal privacy infringement	Community / environmental	Embarrassment
<u>Impact of Risk</u>								
Insignificant 1	Minor injury or discomfort to an individual	Negligible property damage	None	<£10k	No noticeable impact	None	Inconvenience to an individual or small group	Contained within service unit
Minor 2	Minor injury or discomfort to several people	Minor damage to one property	Litigation, claim or fine up to £50k	£10k to £100k	Minor disruption to services	Non sensitive personal information for one individual revealed / lost	Impact on an individual or small group	Contained within service
Significant 3	Major injury to an individual	Significant damage to small building or minor damage to several properties from one source	Litigation, claim or fine £50k to £250k.	>£100k to £500k	Noticeable impact on service performance.	Non sensitive personal information for several individuals revealed / lost	Impact on a local community	Local public or press interested
Major 4	Major injury to several people or death of an individual	Major damage to critical building or serious damage to several properties from one source	Litigation, claim or fines £250k to £1m	>£500k to £2m	Serious disruption to service performance	Sensitive personal information for one individual revealed / lost	Impact on several communities	National public or press interest
Catastrophic 5	Death of several people	Total loss of critical building	Litigation, claim or fines above £1m or custodial sentence imposed	>£2m	Non achievement of key corporate objectives	Sensitive personal information for several individuals revealed / lost	Impact on the whole of West Lothian or permanent damage to site of special scientific interest	Officer(s) and/or members dismissed or forced to resign

RISK MATRIX

PROBABILITY	Almost Certain 5	5 Low	10 Medium	15 High	20 High	25 High
	Very Likely 4	4 Low	8 Medium	12 High	16 High	20 High
	Likely 3	3 Low	6 Low	9 Medium	12 High	15 High
	Possible 2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Unlikely 1	1 Low	2 Low	3 Low	4 Low	5 Medium
		Insignificant 1	Minor 2	Significant 3	Major 4	Catastrophic 5
IMPACT						

Date: 31 March 2017

Agenda Item: 9



WORKPLAN FOR WEST LOTHIAN INTEGRATION JOINT BOARD

AUDIT RISK AND GOVERNANCE COMMITTEE

Date of Meeting	Meeting to set agenda	Title of Report	Lead Officer	Action
31 March 2017	3 March 2017			
		External Audit 2016/17 Audit Plan	P Welsh	
		Internal Audit Plan 2017/18	K Ribbons	
		Internal Audit of IJB Strategic Plan	K Ribbons	
		Risk Management Report	K Ribbons	
28 June 2017	26 May 2017			
		Implementation of Integration Scheme – Progress Update	S. Field	
		Internal Audit of IJB Performance Management	K Ribbons	
		Internal Audit on Performance Management within NHS Lothian	K Ribbons	
		Annual Report	K Ribbons	
		Report on Unaudited Accounts	P Welsh	
27 September 2017	25 August 2017			
		IJB Self-Assessment	K Ribbons	
24 January 2018	22 December 2017			
28 March 2018	23 February 2018			

Date: 31 March 2017
Agenda Item: 9

Date to be confirmed		Report on Children's Inspection	J Kellock	
Date to be confirmed		Members Training	J Millar	Training for IJB Audit & Governance members